

**CITY OF PLYMOUTH
Wayne County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2008**

CITY OF PLYMOUTH
For the Year Ended June 30, 2008

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For the Year Ended June 30, 2008

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Independent Auditor's Report

October 3, 2008

To the Honorable Mayor and
Members of the City Commission
City of Plymouth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Plymouth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the
City Commission
City of Plymouth, Michigan

The management's discussion and analysis and the defined benefit pension plan trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plymouth's basic financial statements. The General Fund budget to actual statement and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz + Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants



City of Plymouth

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Management's Discussion and Analysis

As management of the City of Plymouth, we offer readers of the City of Plymouth's financial statements this narrative overview and analysis of the financial activities of the City of Plymouth for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the City of Plymouth exceeded its liabilities at the close of the most recent fiscal year by \$24,665,016 (*net assets*). Of this amount, \$9,363,096 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$5,828,398, an increase of \$166,210 in comparison with the prior year. Approximately 78% of this total amount, \$4,555,004, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, fund balance for the general fund was \$2,526,555, an increase of \$559,140 over the prior year, and approximately 39 percent of total general fund expenditures.
- The City of Plymouth's total long-term debt decreased by \$506,800 (5 percent) during the current fiscal year. The reduction resulted from debt payments net of increases in accumulated unpaid sick and vacation pay, and new debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Plymouth's basic financial statements. The City of Plymouth's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Plymouth's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Plymouth's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Plymouth is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Plymouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Plymouth include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Plymouth include a water and sewer system.

The government-wide financial statements include not only the City of Plymouth itself (known as the *primary government*), but also a legally separate Downtown Development Authority, and other "non major" component units for which the City of Plymouth is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Plymouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Plymouth can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Plymouth maintains twenty four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is the only governmental major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Plymouth adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Plymouth maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Plymouth uses an enterprise fund to account for its water and sewer activity.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Plymouth's various functions. The City of Plymouth uses an internal service fund to account for its fleet of vehicles, and other equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Plymouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Plymouth's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 49-60 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Plymouth, assets exceeded liabilities by \$24,665,016 at the close of the most recent fiscal year.

By far the largest portion of the City of Plymouth's net assets (51 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Plymouth used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Plymouth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Plymouth's Net Assets

	Governmental		Business-type		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 7,724,962	\$ 7,575,087	\$ 5,915,112	\$ 4,673,694	\$ 13,640,074	\$ 12,248,781
Capital Assets	15,917,287	15,528,341	6,789,509	6,819,627	22,706,796	22,347,968
Total Assets	23,642,249	23,103,428	12,704,621	11,493,321	36,346,870	34,596,749
Long-term Liabilities	7,696,258	8,048,058	2,810,000	2,965,000	10,506,258	11,013,058
Other Liabilities	714,115	893,418	461,481	283,840	1,175,596	1,177,258
Total Liabilities	8,410,373	8,941,476	3,271,481	3,248,840	11,681,854	12,190,316
Net Assets:						
Invested in Capital Assets						
net of related debt	8,518,295	7,739,939	3,979,509	3,854,627	12,497,804	11,594,566
Restricted	1,273,394	1,725,825	1,530,722	892,129	2,804,116	2,617,954
Unrestricted	5,440,187	4,696,188	3,922,909	3,497,725	9,363,096	8,193,913
Total Net Assets	\$ 15,231,876	\$ 14,161,952	\$ 9,433,140	\$ 8,244,481	\$ 24,665,016	\$ 22,406,433

An additional portion of the City of Plymouth's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,363,096) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Plymouth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$2,258,583 during the current fiscal year as discussed below.

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	\$ 2,746,144	\$ 3,100,935	\$ 3,774,116	\$ 3,683,801	\$ 6,520,260	\$ 6,784,736
Operating Grants & Contributions	701,833	665,057	-	-	701,833	665,057
Capital Grants & Contributions	49,842	24,131	-	-	49,842	24,131
General Revenues:						
Property Taxes	6,464,921	6,833,102	-	-	6,464,921	6,833,102
State Shared Revenues	849,548	854,508	-	-	849,548	854,508
Franchise Fee	143,148	129,840	-	-	143,148	129,840
Unrestricted Investment Earnings	432,288	501,685	152,570	135,681	584,858	637,366
Transfers	43,450	30,450	(43,450)	(30,450)	-	-
Loss on Asset Disposal	12,505	(16,231)	-	-	12,505	(16,231)
Total Revenues	11,443,679	12,123,477	3,883,236	3,789,032	15,326,915	15,912,509
Program Expenses						
General Government	1,536,567	1,858,106	-	-	1,536,567	1,858,106
Public Safety	4,090,300	3,831,772	-	-	4,090,300	3,831,772
Public Works	2,849,372	2,333,589	-	-	2,849,372	2,333,589
Recreation, Culture, Health & Welfare	1,299,962	1,449,483	-	-	1,299,962	1,449,483
Other	270,120	442,440	-	-	270,120	442,440
Interest on Long-Term Debt	327,434	368,069	-	-	327,434	368,069
Water and Sewer	-	-	2,694,577	2,761,780	2,694,577	2,761,780
Total Expenses	10,373,755	10,283,459	2,694,577	2,761,780	13,068,332	13,045,239
Change in Net Assets	\$ 1,069,924	\$ 1,840,018	\$ 1,188,659	\$ 1,027,252	\$ 2,258,583	\$ 2,867,270

Governmental activities. Governmental activities increased the City of Plymouth's net assets by \$1,069,924, thereby accounting for 47 percent of the total growth in the net assets of the City of Plymouth. Key elements of this increase are as follows:

- Principal repayments on certain general obligation indebtedness were financed by voter approved tax levies. The principal reduction (\$445,000) did not result in an "expenditure" on the government wide statements, while the related property tax revenues were included as "general revenues" in the government wide "statement of activities".

- An improved revenue outlook for the general fund and other operating funds, coupled with continuing tight controls on spending, have allowed the city to maintain positive results from governmental activities. Revenues for the governmental activities have decreased \$679,798 while expenditures have increased \$90,296.

This has been achieved despite severe restrictions on major revenue sources, primarily those controlled by the state. Management efforts during this period have focused on cutting personnel costs and reducing fringe benefit loading for fulltime employees. Improvements to the city's revenue picture and continued management of operating costs should help to achieve the goal of adopting a future budget in the near term which can reasonably anticipate the elimination of deficits for all projected years.

Business-type activities. Business-type activities increased the City of Plymouth's net assets by \$1,188,659, accounting for 53 percent of the total growth in the government's net assets. The city's only business-type activity, the water and sewer fund, has demonstrated improvement for the past four years parallel with the improvement in the governmental activities sector. Much of the accumulation of unrestricted assets are the result of the City Commission's desire to provide more reserves to cover unanticipated system replacements as well as to provide for significant future internal funding of ongoing utility replacements.

Financial Analysis of the Government's Funds

As noted earlier, the City of Plymouth used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Plymouth's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Plymouth's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$5,828,398, an increase of \$166,210 in comparison with the prior year. Approximately 78% of this total amount (\$4,555,004) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$65,274), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$444,253) or 3) for capital projects (\$763,867).

The general fund is the chief operating fund of the City of Plymouth. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,526,555 and the total fund balance was \$2,526,555. Unreserved fund balance represents 39 percent of total general fund expenditures.

The increase in the fund balance of the City of Plymouth's general fund by \$559,140 during the current fiscal was the result of both improved revenue streams and a sustained effort to limit and reduce personnel expenditures, particularly in the area of health benefits. Tax revenues increased by more than \$125,000 reflecting taxable value additions as a result of the general re-evaluation of all residential property in the city in addition to a significant increase in the state cost of living factor applied to taxable valuations. Investment earnings also demonstrated significant improvement resulting from both increases in rates as well as higher available cash balances over the past three years.

Proprietary funds. The City of Plymouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$3,922,909. The total growth in net assets was \$1,188,659. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Plymouth's business-type activities.

General Fund Budgetary Highlights

Total general fund revenues of \$7,550,269 represent almost 67% of the revenues of the governmental activity category while expenditures for the year totaling \$6,414,497 represent only 57% of the category total. Transfers out of the general fund, providing operating subsidies primarily to the street funds and recreation fund, have increased by 7% from \$ 555,210 to \$ 584,190. However, the significant increase in fund balance in the general fund was mostly attributable to a higher than anticipated revenue stream in combination with reduced administrative and public works operating expenses and lower than anticipated capital outlay expenses. As a result, the net increase in fund balance in the governmental activities primarily benefited the general fund. Of the total increase in fund balance for the year of \$166,210, the general fund reported an increase of \$559,140, while all other governmental funds reported a combined decrease of \$392,930.

There are several factors which will continue to require close monitoring as the city continues to attempt to preserve and improve its current financial position with concerns on both the revenue and expenditure trends. State shared revenues, the second largest source of revenue to the general fund, declined, beginning with the 2000-01 fiscal year from more than \$ 1.2 million to the current level of \$ 854,000. Of this amount, \$ 236,000 remains at risk from budget cuts at the state level. Despite efforts in the past two years by the state to stabilize these cash flows, it is unlikely the current levels will be preserved with the present economic crisis existing in the automobile industry. Of even greater concern, now, particularly in light of the nationwide real estate lending crisis, is the probable and potentially lengthy downturn in real estate values which will, in the next three fiscal years, severely cut into property tax revenues as a result of the operation of legislation passed related to the Proposal A amendment

to the state constitution in 1994. Without an immediate, but unlikely, up turn in the real estate market, the city could well be facing a 20% reduction in property tax revenues for operating purposes within three years.

On the expenditure side, the city is facing enormous legacy cost increases over the next nine fiscal years in residual costs associated with the now terminated defined benefit pension plan which will escalate from the current \$ 525,000 annually to more than \$ 1.2 million based on actuarial evaluations performed prior to the fall, 2008 financial crisis. In addition, the city faces an unfunded health care liability resulting from its actuarial evaluation under GASB 45 that, on a preliminary basis, is expected to exceed \$ 10 million dollars. As of this writing, no plan has yet been presented to the City Commission to address this unfunded liability.

Capital Asset and Debt Administration

Capital assets. The City of Plymouth's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$22,706,796 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total increase in the City of Plymouth's investment in capital assets for the current fiscal year was 1.6 percent (a 2.5 percent increase for governmental activities and a .4 percent decrease for business-type activities).

Most of the significant capital asset changes during the current fiscal year occurred with renovations to city buildings, primarily at city hall, and infrastructure construction for street and utility replacements on Auburn, Arthur, Sheridan and McKinley Streets under the newly re-authorized street construction program approved by the voters in November of 2007. Of the total capital expenditures of \$ 487,610 in the Non-Major Capital project Funds, \$ 322,956 was spent on continuing building renovation projects while the remaining \$ 164,654 was spent on the new street construction and completion of previously committed projects.

In connection with the infrastructure improvements cited above, an additional \$ 193,512 was spent on utility infrastructure improvements related to the same four street projects as well as the on going construction of the C & O Railroad underpass project. Completion of these street projects is anticipated before the end of 2008 and completion of the underpass project is expected by the spring of 2009. It is anticipated that the continuing street reconstruction program for 2009 will include the following streets:

- Adams Street – Farmer to Junction
- Evergreen Street – Penniman to Elm
- Maple Street – Sheldon to Harvey
- Park Place – Evergreen to McKinley

This year's capital outlay acquisitions also included \$ 611,380 of vehicle, machinery and equipment purchases including a vacor cleaner and street sweeper financed through Public Act 99 of 1933. Equipment replacements this year represent the highest level of expenditure in more than 12 years. Details to the City's capital assets are contained in the notes to the financial statements on pages 37-38.

Long-term debt. At the end of the current fiscal year, the City of Plymouth had total bonded and installment debt, and accumulated sick and vacation pay outstanding of \$10,506,258. Of this amount, \$8,168,992 comprises debt backed by the full faith and credit of the government and \$2,040,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and \$297,266 in accumulated sick and vacation pay.

Additional information on the City of Plymouth's long-term debt can be found in notes IV.D. on pages 40-41.

Economic Factors and Next Year's Budgets and Rates

The economic climate for the State of Michigan remains bleak with the highest unemployment rates in the country while suffering through a prolonged recession marked by an extremely weak domestic auto industry and a rapidly declining real estate market. The recent losses in the New York stock market and necessity for unprecedented federal intervention in the banking system has exacerbated systemic problems in the Michigan and local metropolitan Detroit economies. Despite some stabilization in the loss of state shared revenues, anticipated additional multi-year losses in property tax revenues coupled with escalating legacy costs presents severe fiscal burdens on the city for the next several years. Until there is meaningful economic recovery at both the federal and state levels, there will continue to be a threat of major revenue loss and the possible need for additional rounds of expenditure cuts or service consolidations to meet the new challenges presented by a changing national economy.

For the upcoming fiscal year, the City Commission has approved an operating millage rate for 2008 at the same level for the fifth consecutive year of 11.3834 mills and has reduced the waste and recycling operating millage rate from 1.90 mills to 1.72 mills primarily due to the expiration of debt incurred to finance capping of a former city landfill. The city's debt millage rate, reduced in the previous fiscal year from 2.42 mills to 1.23 mills, was increased slightly to 1.25 mills to meet requirements of general obligation bonds issue in 2002 and 2004. Based on these millage rates, the general fund should maintain a healthy fund balance of \$ 2,526,555 in addition to an anticipated available contingency of \$ 52,340 built into the 2008-09 budget.

Staff recommendations for service charges and utility rates for the 2008-09 fiscal year included a proposed increase in the trash cart service fees from \$ 1.60 per week to \$ 1.65 per week and proposed increases in water and sewer usage charges from \$ 4.10 and \$ 5.41 to \$ 4.38 and \$ 5.77, respectively. All fee increases were adopted by the City Commission as proposed.

Requests for Information

This financial report is designed to provide a general overview of the City of Plymouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 201 S. Main Street, City of Plymouth, Plymouth, Michigan 48170.

BASIC FINANCIAL STATEMENTS

CITY OF PLYMOUTH
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 6,791,777	\$ 3,096,238	\$ 9,888,015	\$ 698,646
Investments	61,395	-	61,395	-
Receivables (net of allowance for uncollectibles)	300,550	1,114,871	1,415,421	6,746
Due from Agency Funds	97,173	-	97,173	-
Due from Primary Government	-	-	-	10,824
Due from Other Governmental Units	342,955	-	342,955	-
Inventory	111,535	105,869	217,404	-
Prepaid Expenditures	19,577	-	19,577	250
Restricted Assets - Cash and Cash Equivalents	-	1,530,722	1,530,722	-
Capital Assets (Net of Accumulated Depreciation)	15,917,287	6,789,509	22,706,796	2,922,563
Intangible Assets	-	67,412	67,412	-
Total Assets	<u>23,642,249</u>	<u>12,704,621</u>	<u>36,346,870</u>	<u>3,639,029</u>
<u>LIABILITIES</u>				
Accounts Payable	262,530	388,520	651,050	8,845
Accrued Liabilities	390,429	72,961	463,390	53,187
Due to Agency Funds	50,332	-	50,332	-
Due to Component Unit	10,824	-	10,824	-
Noncurrent Liabilities:				
Due within one year	791,500	160,000	951,500	275,000
Due in more than one year	<u>6,904,758</u>	<u>2,650,000</u>	<u>9,554,758</u>	-
Total Liabilities	<u>8,410,373</u>	<u>3,271,481</u>	<u>11,681,854</u>	<u>337,032</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	8,518,295	3,979,509	12,497,804	2,647,563
Restricted for:				
Capital Projects	763,867	632,881	1,396,748	-
Debt Service	65,274	897,841	963,115	28,452
Other	444,253	-	444,253	-
Unrestricted	<u>5,440,187</u>	<u>3,922,909</u>	<u>9,363,096</u>	<u>625,982</u>
Total Net Assets	<u>\$ 15,231,876</u>	<u>\$ 9,433,140</u>	<u>\$ 24,665,016</u>	<u>\$ 3,301,997</u>

CITY OF PLYMOUTH
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,536,567	\$ 913,474	\$ 19,672	\$ -
Public Safety	4,090,300	413,963	97,568	-
Public Works	2,849,372	454,102	511,114	-
Recreation and Cultural	1,299,962	964,605	73,479	49,842
Other	270,120	-	-	-
Interest on Long-Term Debt	327,434	-	-	-
Total Governmental Activities	<u>10,373,755</u>	<u>2,746,144</u>	<u>701,833</u>	<u>49,842</u>
Business-type Activities:				
Water and Sewer	<u>2,694,577</u>	<u>3,774,116</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 13,068,332</u>	<u>\$ 6,520,260</u>	<u>\$ 701,833</u>	<u>\$ 49,842</u>
Component Units:				
D.D.A./B.R.A./E.D.C.	<u>\$ 1,348,478</u>	<u>\$ 36,270</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Property Taxes
State Shared Revenues
Franchise Fee
Unrestricted Investment Earnings
Gain(Loss) on Asset Disposal
Transfers
Total General Revenues and Transfers

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (603,421)	\$ -	\$ (603,421)	\$ -
(3,578,769)	-	(3,578,769)	-
(1,884,156)	-	(1,884,156)	-
(212,036)	-	(212,036)	-
(270,120)	-	(270,120)	-
(327,434)	-	(327,434)	-
<u>(6,875,936)</u>	<u>-</u>	<u>(6,875,936)</u>	<u>-</u>
-	1,079,539	1,079,539	-
<u>(6,875,936)</u>	<u>1,079,539</u>	<u>(5,796,397)</u>	<u>-</u>
-	-	-	(1,312,208)
6,464,921	-	6,464,921	1,575,808
849,548	-	849,548	-
143,148	-	143,148	-
432,288	152,570	584,858	50,582
12,505	-	12,505	-
43,450	(43,450)	-	-
<u>7,945,860</u>	<u>109,120</u>	<u>8,054,980</u>	<u>1,626,390</u>
1,069,924	1,188,659	2,258,583	314,182
<u>14,161,952</u>	<u>8,244,481</u>	<u>22,406,433</u>	<u>2,987,815</u>
<u>\$ 15,231,876</u>	<u>\$ 9,433,140</u>	<u>\$ 24,665,016</u>	<u>\$ 3,301,997</u>

CITY OF PLYMOUTH
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,470,350	\$ 3,210,900	\$ 5,681,250
Investments	-	61,395	61,395
Receivables (net of allowance for uncollectibles):			
Taxes	55,841	-	55,841
Accounts	25,845	165,721	191,566
Due from Other Funds	122,041	12,405	134,446
Due from Other Governmental Units	246,021	96,934	342,955
Inventory	16,460	53,628	70,088
Prepaid Expenditures	19,327	250	19,577
Total Assets	<u>\$ 2,955,885</u>	<u>\$ 3,601,233</u>	<u>\$ 6,557,118</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts Payable	\$ 85,884	\$ 158,350	\$ 244,234
Accrued and Other Liabilities	282,290	103,767	386,057
Due to Other Funds	50,332	37,273	87,605
Due to Component Unit	10,824	-	10,824
Total Liabilities	<u>429,330</u>	<u>299,390</u>	<u>728,720</u>
Fund Balances:			
Reserved for:			
Capital Projects	-	763,867	763,867
Debt Service	-	65,274	65,274
Other	-	444,253	444,253
Unreserved for:			
General Fund	2,526,555	-	2,526,555
Special Revenue Funds	-	2,028,449	2,028,449
Total Fund Balances	<u>2,526,555</u>	<u>3,301,843</u>	<u>5,828,398</u>
Total Liabilities and Fund Balances	<u>\$ 2,955,885</u>	<u>\$ 3,601,233</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,856,974
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,883,770
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,337,266)</u>
Net Assets of Governmental Activities	<u>\$ 15,231,876</u>

CITY OF PLYMOUTH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Property Taxes	\$ 5,067,665	\$ 1,397,256	\$ 6,464,921
Licenses and Permits	4,231	217,626	221,857
Intergovernmental:			
Federal, State and Local	877,177	561,525	1,438,702
Charges for Services	734,410	1,237,682	1,972,092
Fines and Forfeitures	152,488		152,488
Interest	255,984	136,402	392,386
Other	458,314	247,062	705,376
Total Revenues	<u>7,550,269</u>	<u>3,797,553</u>	<u>11,347,822</u>
<u>Expenditures</u>			
Current:			
General Government	1,423,434	460	1,423,894
Public Safety	3,720,687	363,892	4,084,579
Public Works	934,500	1,657,181	2,591,681
Recreation and Cultural	-	1,216,985	1,216,985
Other	255,201	-	255,201
Debt Service:			
Principal	-	748,402	748,402
Interest and Other Charges	-	327,434	327,434
Capital Outlay	80,675	509,141	589,816
Total Expenditures	<u>6,414,497</u>	<u>4,823,495</u>	<u>11,237,992</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,135,772</u>	<u>(1,025,942)</u>	<u>109,830</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	17,558	1,017,246	1,034,804
Transfers Out	(594,190)	(384,234)	(978,424)
Total Other Financing Sources (Uses)	<u>(576,632)</u>	<u>633,012</u>	<u>56,380</u>
Net Change in Fund Balances	559,140	(392,930)	166,210
Fund Balances - Beginning	<u>1,967,415</u>	<u>3,694,773</u>	<u>5,662,188</u>
Fund Balances - Ending	<u>\$ 2,526,555</u>	<u>\$ 3,301,843</u>	<u>\$ 5,828,398</u>

CITY OF PLYMOUTH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 166,210
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(37,024)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	710,792
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Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>229,946</u>
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Change in net assets in governmental activities (page 14)	\$ <u><u>1,069,924</u></u>
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CITY OF PLYMOUTH
Balance Sheet
Proprietary Funds
June 30, 2008

	<u>Business Type Activity Enterprise Fund</u>	<u>Governmental Activities - Internal Service</u>
	<u>Water & Sewer</u>	<u>Equipment Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,096,238	\$ 1,110,527
Accounts Receivable	1,114,871	26,095
Inventory	105,869	41,447
Total Current Assets	<u>4,316,978</u>	<u>1,178,069</u>
Restricted Assets:		
Cash and Cash Equivalents:		
Debt Retirement	897,841	-
Construction	632,881	-
Total Restricted Assets	<u>1,530,722</u>	<u>-</u>
Property, Plant and Equipment:		
Water and Sewer Infrastructure	10,839,251	-
Machinery, Equipment and Vehicles	262,006	3,925,606
Accumulated Depreciation	<u>(4,311,748)</u>	<u>(2,865,293)</u>
Net Property, Plant and Equipment	<u>6,789,509</u>	<u>1,060,313</u>
Other Assets:		
Long Term Accounts Receivable	-	27,048
Intangible Assets	<u>67,412</u>	<u>-</u>
Total Other Assets	<u>67,412</u>	<u>27,048</u>
Total Assets	<u>\$ 12,704,621</u>	<u>\$ 2,265,430</u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 388,520	\$ 18,296
Accrued Liabilities	72,961	4,372
Current Portion of Long Term Debt Payable	160,000	71,500
Total Current Liabilities	<u>621,481</u>	<u>94,168</u>
Long-Term Liabilities:		
Notes Payable (Act 99 Installment Debt)	-	287,492
Bonds Payable	<u>2,650,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>2,650,000</u>	<u>287,492</u>
Equity:		
Invested in Capital Assets, Net of Related Debt	3,979,509	701,321
Restricted	1,530,722	-
Unrestricted	<u>3,922,909</u>	<u>1,182,449</u>
Total Equity	<u>9,433,140</u>	<u>1,883,770</u>
Total Liabilities and Equity	<u>\$ 12,704,621</u>	<u>\$ 2,265,430</u>

CITY OF PLYMOUTH
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>Operating Revenues:</u>		
Charges for Services	\$ 3,756,100	\$ 12,488
Rental Income	-	748,921
Miscellaneous	18,016	50,716
Total Operating Revenues	<u>3,774,116</u>	<u>812,125</u>
<u>Operating Expenses:</u>		
Personal Services, Other and Administrative	495,615	421,327
Trunk and Lateral	131,531	-
Mains	168,546	-
Service Maintenance	16,153	-
Sewage Disposal Charges	759,442	-
Purchased Water	582,815	-
Meter Maintenance	135,343	-
Hydrant Maintenance	26,772	-
Depreciation and Amortization	230,130	185,410
Total Operating Expenses	<u>2,546,347</u>	<u>606,737</u>
Operating Income	<u>1,227,769</u>	<u>205,388</u>
<u>Non-Operating Revenues (Expenses):</u>		
Gain on Asset Sales	-	12,505
Interest Earned	152,570	39,902
Interest Expense	(148,230)	(14,919)
Total Non-Operating Revenues (Expenses)	<u>4,340</u>	<u>37,488</u>
Income before Operating Transfers	1,232,109	242,876
<u>Operating Transfers:</u>		
Operating Transfers Out	<u>(43,450)</u>	<u>(12,930)</u>
Net Income (Loss)	1,188,659	229,946
Fund Equity, Beginning	<u>8,244,481</u>	<u>1,653,824</u>
Fund Equity, Ending	<u>\$ 9,433,140</u>	<u>\$ 1,883,770</u>

CITY OF PLYMOUTH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 3,879,034	\$ 17,260
Receipts from quasi-external transactions	-	748,921
Payments to suppliers	(1,655,285)	(291,112)
Payments to employees	(493,702)	(129,881)
Net Cash Provided by Operating Activities	<u>1,730,047</u>	<u>345,188</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfer to other funds	<u>(43,450)</u>	<u>(12,930)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from Long Term Borrowings	-	358,992
Purchases of Capital Assets	(193,512)	(611,380)
Principal Paid on Capital Debt	(155,000)	-
Interest Paid on Capital Debt	(148,230)	(14,919)
Proceeds from Sales of Capital Assets	-	12,505
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(496,742)</u>	<u>(254,802)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Earned	<u>152,570</u>	<u>39,902</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,342,425	117,358
Cash and Cash Equivalents, Beginning	<u>3,284,535</u>	<u>993,169</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,626,960</u>	<u>\$ 1,110,527</u>
<u>Balance Sheet Classifications:</u>		
Cash and Cash Equivalents	\$ 3,096,238	\$ 1,110,527
Restricted Assets - Cash and Cash Equivalents	1,530,722	-
Total	<u>\$ 4,626,960</u>	<u>\$ 1,110,527</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income	\$ 1,227,769	\$ 205,388
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	230,130	185,410
(Increase) Decrease in Receivables	104,918	(45,944)
(Increase) Decrease in Inventory	(10,411)	(2,420)
Increase (Decrease) in Accounts Payable	175,728	(392)
Increase (Decrease) in Accrued Liabilities	1,913	3,146
Net Cash Provided by Operating Activities	<u>\$ 1,730,047</u>	<u>\$ 345,188</u>

CITY OF PLYMOUTH
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,485,746
Due from Other Governmental Units	80,958
Due from Other Funds	<u>50,332</u>
Total Assets	<u>2,617,036</u>
 <u>LIABILITIES</u>	
Due to Other Funds	97,173
Due to Other	<u>2,519,863</u>
Total Liabilities	<u>2,617,036</u>
 NET ASSETS	 \$ <u><u>-</u></u>

CITY OF PLYMOUTH
Statement of Net Assets - Component Units
June 30, 2008

	Major Funds		Non Major	
	Downtown Development Authority	Brownfield Redevelopment Authority	(Economic Development Authority)	Total
ASSETS				
Cash and Cash Equivalents	\$ 678,193	\$ 20,453	\$ -	\$ 698,646
Accounts Receivable	3,050	3,696	-	6,746
Prepaid Insurance	250	-	-	250
Due from Primary Government	-	-	10,824	10,824
Capital Assets (Net of Accumulated Depreciation)	2,922,563	-	-	2,922,563
Total Assets	<u>3,604,056</u>	<u>24,149</u>	<u>10,824</u>	<u>3,639,029</u>
LIABILITIES				
Accounts Payable	8,845	-	-	8,845
Accrued Liabilities	53,187	-	-	53,187
Noncurrent Liabilities:				
Due within one year	275,000	-	-	275,000
Due in more than one year	-	-	-	-
Total Liabilities	<u>337,032</u>	<u>-</u>	<u>-</u>	<u>337,032</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	2,647,563	-	-	2,647,563
Restricted for Debt Service	28,452	-	-	28,452
Unrestricted	591,009	24,149	10,824	625,982
	<u>\$ 3,267,024</u>	<u>\$ 24,149</u>	<u>\$ 10,824</u>	<u>\$ 3,301,997</u>

CITY OF PLYMOUTH
Statement of Activities - Component Units
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Major Funds		Non Major	
					Downtown Development Authority	Brownfield Redevelopment Authority	(Economic Development Authority)	
Major Funds:								
Downtown Development Authority	\$ 854,654	\$ 36,270	\$ -	\$ -	\$ (818,384)	\$ -	\$ -	\$ (818,384)
Brownfield Redevelopment Authority	493,824	-	-	-	-	(493,824)	-	(493,824)
Total	<u>\$ 1,348,478</u>	<u>\$ 36,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(818,384)</u>	<u>(493,824)</u>	<u>-</u>	<u>(1,312,208)</u>
	General Revenues:							
		Property Taxes			1,081,984	493,824	-	1,575,808
		Unrestricted Investment Earnings			36,695	13,887	-	50,582
		Total General Revenues			<u>1,118,679</u>	<u>507,711</u>	<u>-</u>	<u>1,626,390</u>
		Change in Net Assets			300,295	13,887	-	314,182
		Net Assets - Beginning			<u>2,966,729</u>	<u>10,262</u>	<u>10,824</u>	<u>2,987,815</u>
		Net Assets - Ending			<u>\$ 3,267,024</u>	<u>\$ 24,149</u>	<u>\$ 10,824</u>	<u>\$ 3,301,997</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Plymouth was incorporated March 14, 1932, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water and sewerage system, and general administrative services. It also operates a municipal cemetery.

As required by generally accepted accounting principles, these financial statements present the City of Plymouth and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a June 30, 2008 year end.

Blended Component Units

The City of Plymouth Municipal Building Authority is governed by a five (5) member Board appointed by the Mayor with City Commission approval. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and parking structures.

Discretely Presented Component Units

The City of Plymouth Downtown Development Authority (DDA) Board is comprised of up to twelve (12) members appointed by the Mayor with City Commission approval. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain City Commission approval of all development and financing plans. The annual operating budget and any modifications also require the approval of the Plymouth City Commission.

The City of Plymouth Economic Development Corporation (EDC) is governed by a nine (9) member board appointed by the Mayor with City Commission approval. The EDC was established to promote economic development within the City.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

Discretely Presented Component Units – Continued

The City of Plymouth Brownfield Redevelopment Authority (BRA) is comprised of a six (6) member board appointed by the Mayor with City Commission approval. The BRA was established to promote the revitalization of environmentally distressed areas of the City.

The above component units are discretely presented within the City financial statements because they are legally separate and financially accountable to the City. Financial accountability is demonstrated by the City Commission making the appointments to the respective boards, approving the annual operating budgets and any amendments of each component unit and approving development and financing plans of the EDC and DDA. Separate financial statements for these component units have not been prepared.

Joint Venture

The City is a participant with the Charter Township of Plymouth in a joint venture to operate the Plymouth Community Fire Department (PCFD), which provides fire services for residents and businesses of both the City and Township. The intergovernmental agreement is considered a joint venture because the City has an ongoing financial interest and ongoing financial responsibility. Upon termination of this agreement, the City will receive an equipment equity interest equal to 25% of the net book value of the PCFD fixed assets at the termination date. The Township is responsible for the administration of the PCFD. By contract the City and the Township share in supporting the PCFD annual operations based on a cost-sharing formula, which is based on a number of factors including population, the average number of fire runs, and state equalized valuation (SEV). The City's annual operating contribution cannot fall below 25%. The City is also obligated to contribute 25% of the annual capital outlay and depreciation reserve expenses.

The City also participates in an intergovernmental service agreement with Plymouth Township for Community services (E911, Police Dispatch). The Township has sole ownership of the assets of the "Plymouth Community Communication Center" established by the agreement.

During the year, the City contributed \$907,894 for the Community Fire Department and \$287,995 towards the Community Communications Center. Copies of the financial activity can be obtained from the Charter Township of Plymouth.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds are used to account for construction projects and their related revenue sources.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund is the Water and Sewer Fund, which is reported as a major fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental* activities in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowances (\$153,357) for uncollectible accounts, which are recorded at \$1,421,421 at June 30, 2008.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Resources for the debt service and capital project activities within the Water and Sewer Fund (Enterprise Fund) are segregated and classified as "Restricted Assets", and total \$1,530,722 at June 30, 2008.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

6. Compensated Absences – Continued

formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2008 is \$297,266.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$7,337,266 difference are as follows:

General Obligation Bonds Payable	\$ 7,040,000
Compensated Absences Payable	<u>297,266</u>
	<u>\$ 7,337,266</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets if allocated over their estimated useful lives and reported as depreciation expense". The details of the \$(37,024) difference are as follows:

Capital Outlay	\$ 589,816
Depreciation Expense	<u>(626,840)</u>
	<u>\$ (37,024)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$710,792 difference are as follows:

Principal Repayments	\$ 748,402
Compensated Absences Increase	<u>(37,610)</u>
	<u>\$ 710,792</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:
 - a. Budgets must be adopted for the General and Special Revenue Funds.
 - b. Budgets must be balanced.
 - c. Budgets must be amended as necessary.
 - d. Public hearings must be held prior to adoption.
 - e. Expenditures cannot exceed budget appropriations.
 - f. Expenditures must be authorized by a budget appropriation prior to being incurred.
2. The City follows these procedures in establishing the budgetary data reflected in these financial statements:
 - a. At the first meeting in April, the City Manager submits to the City Commission the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them, for the General, Special Revenue, Debt Service and Proprietary Fund Types.
 - b. Public hearings are conducted at City Hall to obtain taxpayer comments.
 - c. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
 - d. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
 - e. The City Manager is authorized to transfer amounts not to exceed 10% of the departmental budget between departmental (activity level) appropriation accounts.
 - f. Budget appropriations lapse at year end.
 - g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
 - h. Budgeted amounts are reported as originally adopted, or as amended by the City Commission.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The City has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General Fund and Special Revenue Fund are adopted at the activity level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Police	\$2,738,920	\$2,751,968	\$ 13,048

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the City's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the City's deposits may not be recovered. Neither State law nor the City's investment policy requires consideration of custodial credit risk. As of June 30, 2008, the City's book balance of its deposits was \$13,902,908; the total book balance was \$13,904,483, due to \$1,575 in cash on hand. The bank balance was \$13,906,980 which was exposed to custodial credit risk, as follows:

		<u>Bank Balance</u>	
Insured by F.D.I.C.		\$ 300,000	
Uninsured and Uncollateralized		<u>13,606,980</u>	
Total		<u>\$ 13,906,980</u>	

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Insured</u>
Downtown Development Authority	\$ 678,193	\$ 678,193	\$ -
Economic Development Corporation	-	-	-
Brownfield Redevelopment Authority	<u>20,453</u>	<u>20,453</u>	-
	<u>\$ 698,646</u>	<u>\$ 698,646</u>	<u>\$ -</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

A reconciliation of cash to the accompanying financial statements follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$ 9,888,015
Restricted Assets-Cash	1,530,722
Fiduciary Fund:	
Cash	<u>2,485,746</u>
Total	<u>\$ 13,904,483</u>

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

Interest Rate Risk. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of deposits are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$ 2,203,605	Demand
Certificate of Deposit	543,102	14 days
Pooled Investment (Sweep)	<u>11,160,273</u>	Demand
	<u>\$ 13,906,980</u>	
Trust Fund:		
Mutual Fund – Bonds and Cash	\$ 32,506	Not Available
Mutual Fund – Equity	<u>28,889</u>	Not Available
	<u>\$ 61,395</u>	
Component Units:		
Pooled Investment (Sweep)	<u>\$ 698,646</u>	Demand

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government:			
Cash and Certificates of Deposits	\$ 2,746,707	N/A	N/A
Pooled Investments	<u>11,160,273</u>	Not Rated	
	<u>\$ 13,906,980</u>		
Trust Fund:			
Mutual Fund – Bonds	\$ 32,506	Not Available	
Mutual Funds – Equity	<u>28,889</u>	Not Available	
	<u>\$ 61,395</u>		
Component Units:			
Pooled Investments	<u>\$ 698,646</u>	Not Rated	

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. The City does have more than 5% of its total investments in a single issuer:

Trust Fund – Munder Intermediate Bond Fund – 80%	\$ 32,506
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CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 1,243,808	\$ -	\$ -	\$ 1,243,808
Capital Assets, being depreciated:				
Building and Improvements	5,280,045	169,092	-	5,449,137
Machinery and Equipment	652,650	169,966	-	822,616
Infrastructure	13,103,177	250,758	-	13,353,935
Internal Service Fund	3,586,233	611,380	272,007	3,925,606
	<u>22,622,105</u>	<u>1,201,196</u>	<u>272,007</u>	<u>23,551,294</u>
Less: Accumulated Depreciation:				
Building and Improvements	(3,090,049)	(144,924)	-	(3,234,973)
Machinery and Equipment	(224,165)	(60,193)	-	(284,358)
Infrastructure	(2,071,468)	(421,723)	-	(2,493,191)
Internal Service Fund	(2,951,890)	(185,410)	(272,007)	(2,865,293)
	<u>(8,337,572)</u>	<u>(812,250)</u>	<u>(272,007)</u>	<u>(8,877,815)</u>
Governmental Activities Capital Assets, net	<u>\$ 15,528,341</u>	<u>\$ 388,946</u>	<u>\$ -</u>	<u>\$ 15,917,287</u>
<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 10,680,687	\$ 158,564	\$ -	\$ 10,839,251
Equipment	227,058	34,948	-	262,006
	<u>10,907,745</u>	<u>193,512</u>	<u>-</u>	<u>11,101,257</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(3,882,193)	(219,139)	-	(4,101,332)
Equipment	(205,925)	(4,491)	-	(210,416)
	<u>(4,088,118)</u>	<u>(223,630)</u>	<u>-</u>	<u>(4,311,748)</u>
Business Activities Capital Assets, net	<u>\$ 6,819,627</u>	<u>\$ (30,118)</u>	<u>\$ -</u>	<u>\$ 6,789,509</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Component Units:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Equipment	\$ 96,691	\$ 36,446	\$ -	\$ 133,137
Infrastructure	5,569,053	-	-	5,569,053
	<u>5,665,744</u>	<u>36,446</u>	<u>-</u>	<u>5,702,190</u>
Less: Accumulated Depreciation:				
Equipment	(11,254)	(5,000)	-	(16,254)
Infrastructure	(2,573,990)	(189,383)	-	(2,763,373)
	<u>(2,585,244)</u>	<u>(194,383)</u>	<u>-</u>	<u>(2,779,627)</u>
Component Units				
Capital Assets, net	\$ <u>3,080,500</u>	\$ <u>(157,937)</u>	\$ <u>-</u>	\$ <u>2,922,563</u>

Depreciated expense was charged to functions of the primary government as follows:

General Government	\$ 75,063
Public Safety	5,721
Public Works	463,079
Recreation and Culture	82,977
Charged though internal service funds	<u>185,410</u>
	<u>\$ 812,250</u>

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payble Fund</u>	<u>Amount</u>
General Fund	Neighborhood Services Fund	\$ -
	Budget Stabilization	24,868
	Property Tax Agency	27,173
	Housing Agency	<u>70,000</u>
		<u>122,041</u>
2004 G.O. Cap. Improvement	Building Fund	<u>12,405</u>
Property Tax Agency	General Fund	<u>50,332</u>
Total		<u>\$ 184,778</u>

Interfund balances represent uncleared short term advances at year end, arising in the normal course of business.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General Fund	\$ 61,140
Recreation	General Fund	259,250
2002 Capital Imp. Debt	General Fund	58,300
Major Streets	General Fund	25,000
Building	General Fund	131,160
2006 L.T.G.O. Debt	General Fund	59,340
		<u>594,190</u>
2002 Capital Imp. Debt	Major Streets	2,330
Local Streets	Major Streets	86,400
		<u>88,730</u>
2002 Capital Imp. Debt	Recreation Fund	10,490
2006 L.T.G.O Debt	Recreation Fund	17,800
		<u>28,290</u>
2002 Capital Imp. Debt	Solid Waste	7,000
2006 L.T.G.O Debt	Solid Waste	11,870
		<u>18,870</u>
2002 Capital Imp. Debt	Building	2,330
2006 L.T.G.O Debt	Building	5,930
		<u>8,260</u>
2002 Capital Imp. Debt	Equipment Fund	7,000
2006 L.T.G.O Debt	Equipment Fund	5,930
		<u>12,930</u>
2002 Capital Imp. Debt	Water and Sewer	25,650
2006 L.T.G.O Debt	Water and Sewer	17,800
		<u>43,450</u>
2002 Capital Imp. Debt	Local Streets	3,500
2004 G.O. Capital Project	MTF Construction	19,026
2008 G.O. Capital Project	MTF Construction	200,000
		<u>219,026</u>
General Fund	Cemetery Trust	17,558
Total		<u>\$ 1,034,804</u>
Governmental Transferred to Governmental		\$ 978,424
Enterprise to Governmental		43,450
Internal Service to Governmental		12,930
		<u>\$ 1,034,804</u>

Transfers represent budgeted operating subsidies, funding for debt service, and required distribution of cemetery perpetual care funds. Additionally, Capital Project transfers from the MTF Construction Funds were primarily to accomplish short term financing for 2008 G.O. Capital Project Fund which will be reimbursed when bonds are sold.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	\$ 7,430,000	\$ -	\$ 540,000	\$ 6,890,000	\$ 570,000
Landfill Closure Act 99	58,402	-	58,402	-	-
M.B.A. Bonds	300,000	-	150,000	150,000	150,000
Comp. Absences	259,656	37,610	-	297,266	-
Act 99 EQ Fund	-	358,992	-	358,992	71,500
	<u>\$ 8,048,058</u>	<u>\$ 396,602</u>	<u>\$ 748,402</u>	<u>\$ 7,696,258</u>	<u>\$ 791,500</u>
Business Type Activities:					
Rev. Bonds	\$ 2,160,000	\$ -	\$ 120,000	\$ 2,040,000	\$ 125,000
Bonds Payable	805,000	-	35,000	770,000	35,000
	<u>\$ 2,965,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 2,810,000</u>	<u>\$ 160,000</u>
Component Unit					
D.D.A.	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2008:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	4	2.00%-4.75%	2019	\$ 6,890,000
Equipment Fund-Act 99 N.P.	1	3.99%	2012	358,992
Municipal Building Authority	2	4.55%-5.25%	2009	150,000
Total Governmental Activities				<u>\$ 7,398,992</u>
Business Type Activities:				
Revenue Bonds Payable	4	4.70%-6.00%	2020	\$ 2,040,000
Bonds Payable	1	2.00%-5.00%	2024	770,000
Total Business Type Activities				<u>\$ 2,810,000</u>
Component Unit:				
Downtown Development Auth.	1	5.25%-5.70%	2010	<u>\$ 275,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of June 30, 2008 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 791,500	\$ 137,320	\$ 160,000	\$ 142,809
2010	676,500	116,122	170,000	135,544
2011	706,500	99,741	180,000	127,446
2012	746,500	82,608	185,000	118,835
2013	637,992	64,655	195,000	109,654
2014-2018	3,195,000	127,757	1,135,000	388,012
2019-2023	645,000	-	720,000	91,405
2024	-	-	65,000	1,625
	<u>\$ 7,398,992</u>	<u>\$ 628,203</u>	<u>\$ 2,810,000</u>	<u>\$ 1,115,330</u>

<u>Year Ended</u>	<u>Componet Units-DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2009	<u>\$ 275,000</u>	<u>\$ 7,838</u>

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2008, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Cemetery Trust</u>
<u>Fund Balance</u>					
Reserved For:					
Capital Projects	\$ -	\$ -	\$ -	\$ 763,867	\$ -
Debt Service	-	-	65,274	-	-
Cemetery Trust	-	-	-	-	444,253
Total Reserved	-	-	65,274	763,867	444,253
Unreserved:					
Undesignated	<u>2,526,555</u>	<u>2,028,449</u>	-	-	-
Total Fund Balance	<u>\$ 2,526,555</u>	<u>\$ 2,028,449</u>	<u>\$ 65,274</u>	<u>\$ 763,867</u>	<u>\$ 444,253</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 15 mills prior to “rollback” required by State laws, and additional amounts for Solid Waste as provided by State law. The City also levies voter approved amounts for general obligation debt. The City's tax levy for the 2007 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

	<u>Tax Rate</u>
General Operating	11.3834
Refuse	2.2746
General Obligation Debt	<u>1.2300</u>
Total	<u>14.8880</u>

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City of Plymouth participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

b. Funding Policy

The plan adopted by the City Commission requires no member contributions. The City is required to contribute at an actuarially determined rate. Since the plan is closed to new participants, rates are not at percentages of payroll, rather fixed amounts per division determined by actuarial valuations. The contribution requirements of plan members and the City are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Costs

For fiscal year 2008, the City's annual pension cost of \$492,164 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.66% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of an evaluation method that assumes the funds earn the expected rate of return an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Costs (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
2006	\$ 173,069	100%	-
2007	433,542	100%	-
2008	492,164	100%	-

2. Defined Contribution Plan

a. Plan Description

The City of Plymouth contributes to the City of Plymouth defined contribution plan, which is a defined contribution money purchase pension plan. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Commission for approval.

A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Plan – Continued

a. Plan Description – Continued

investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All employees hired on or after March 31, 1999 are eligible to participate in the plan. Contributions made by the City or an employee vest immediately.

b. Contributions Required and Contributions Made

The City contributes 15% of gross pay for each eligible employee. During the year, the City's required and actual contributions amounted to \$499,164.

B. Post Retirement Health Care Benefits

In addition to providing pension benefits, the City provides certain health care insurance benefits to all full time employees of the City. All eligible full time employees who retire at normal retirement age are entitled to receive these benefits during their retirement. Currently 59 retirees are covered by this plan. These benefits are expensed in the year paid, on a pay-as-you-go basis. For the year ended June 30, 2008, these costs amounted to approximately \$559,765. The basis for these payments are the agreements with employee groups through collective bargaining as well as the City's personnel policy.

Upcoming Reporting Change – The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

V. OTHER INFORMATION – Continued

C. Risk Management

The City purchases insurance coverage through traditional means. The City's property and liability and workers compensation coverages are on file in the Risk Manager's office.

The City has contracted with Blue Cross and Blue Shield of Michigan to administer a self-funded health insurance program. Under the plan, the City pays a fixed administrative and reinsurance fee, and self-insures claims within plan limits. The plan has a \$50,000 specific stop-loss limit per insured (contract), and an annual aggregate stop-loss maximum (for the City as a total) in the amount of \$1,167,054, plus administrative cost on October 1 to September 30, year end, which represented the City's maximum cost exposure under the plan, subject to \$1,000,000 limitation. Claims in excess of the individual stop-loss or aggregate stop-loss limits are covered under the reinsurance coverage.

Changes in the balance of claim liability during the past year are as follows:

Unpaid claims at beginning of year	\$ 249,479
Incurred claims (including IBNRs)	1,245,094
Claims Paid	<u>(1,208,300)</u>
Unpaid claims, at end of year	<u>\$ 286,273</u>

D. Contingencies

1. Landfill Closure

The City of Plymouth owns a Solid Waste Landfill located in Salem Township. The landfill was closed and capped during the 1960's to meet the standards and requirements of that time period.

Since that time, post closure monitoring of the Landfill by the City and the Michigan Department of Natural Resources have identified problems with the deterioration of the clay cap and blockage of a storm drain that runs through the landfill. The City received a \$600,000 grant award to partially finance the costs of installing additional ventilation wells in the landfill and grouting out the 30 inch drainage pipe that runs through the landfill. In addition to this Landfill Closure DNR grant, the City borrowed \$750,000 to finance the total projected project costs of \$1,350,000.

During the procedure to eliminate the blockage to the drainage pipe, it was noted that the pipe had settled in certain sections making the grouting of the pipe impossible. The City and the DNR agreed upon a solution to route a storm sewer around the perimeter of the landfill. The project was completed in 1996 and the City was granted certification from the DNR.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2008

V. OTHER INFORMATION – Continued

D. Contingencies – Continued

1. Landfill Closure – Continued

The cumulative landfill closure costs incurred through June 30, 2008, amounts to \$2,286,127 reported within the Solid Waste (Special Revenue) Fund. Additionally cumulative interest expenditures of \$165,995 relating to the \$750,000 landfill closure loan through June 30, 2008, have been reflected in the Solid Waste Fund. The landfill closure obligation is considered to be satisfied at June 30, 2008. However, the City has the responsibility of monitoring the landfill site in the future and the potential for unforeseen closure costs could materialize. In the opinion of City Management the liability, if any, would not be significant.

2. Other Matters

There are various other legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible to determine the probable outcome or a reasonable estimate of the City's potential liability, if any.

E. Subsequent Event

On September 11, 2008, the City of Plymouth received the net proceeds of the \$5,000,000 2008 unlimited tax obligation bonds. The proceeds are to be used to accomplish infrastructure improvements. The bonds will be paid from specifically voter approved tax levy to commence with the 2008 tax roll.

F. Sale of Tax Reverted Property

On October 1, 2007, the City closed (sale completed) on the property known as the "Bathey Property", and received total consideration of \$2,270,000. The proceeds were deposited into an interest bearing escrow account (under the City's control) pending distribution to the other taxing authorities. The City is in the process of determining the costs incurred during the lengthy process of obtaining title to the property. Once these amounts are determined, the City will make a distribution of the net proceeds to the taxing authorities as required by State Law.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2008

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/97	\$12,702,595	\$15,985,089	\$3,282,494	79%	\$2,921,890	112%
12/31/98	14,063,485	17,028,501	2,965,016	83%	2,895,219	102%
12/31/99	11,907,602	14,165,659	2,258,057	84%	1,226,401	184%
12/31/00	10,365,016	14,556,753	4,191,737	71%	975,470	430%
12/31/01	10,538,432	14,748,826	4,210,394	71%	980,579	429%
12/31/02	10,271,793	15,032,157	4,760,364	68%	945,511	503%
12/31/03	10,396,593	15,571,073	5,174,480	67%	747,597	692%
12/31/04	10,261,033	16,451,988	6,190,955	62%	640,031	967%
12/31/05	9,980,974	16,610,385	6,629,411	60%	474,546	1397%
12/31/06	9,869,612	16,616,983	6,747,371	59%	408,626	1651%
12/31/07	9,893,648	16,866,121	6,972,473	59%	380,377	1833%

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Additional information as of December 31, 2007, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50%
Includes inflation at 4.5%	
Cost of living adjustments	None

CITY OF PLYMOUTH
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 4,957,020	\$ 5,057,360	\$ 5,067,665	\$ 10,305
Licenses and Permits	3,100	3,100	4,231	1,131
Intergovernmental - State	855,770	876,650	877,177	527
Charges for Services	709,970	700,930	734,410	33,480
Fines and Forfeitures	43,500	70,000	152,488	82,488
Interest Earnings	300,000	300,000	255,984	(44,016)
Other Revenues	628,790	407,130	458,314	51,184
Total Revenues	<u>7,498,150</u>	<u>7,415,170</u>	<u>7,550,269</u>	<u>135,099</u>
Expenditures:				
General Government:				
City Commission	63,740	74,540	64,513	10,027
City Manager	260,620	284,920	281,070	3,850
Attorney	141,970	148,470	103,857	44,613
Finance	510,390	501,740	456,312	45,428
Clerk/Elections	246,200	219,700	191,573	28,127
Management Information Services	152,140	155,050	144,911	10,139
Cemetery	121,880	202,130	181,198	20,932
	<u>1,496,940</u>	<u>1,586,550</u>	<u>1,423,434</u>	<u>163,116</u>
Public Safety:				
Police	2,757,900	2,738,920	2,751,968	(13,048)
Fire	970,630	978,630	968,719	9,911
	<u>3,728,530</u>	<u>3,717,550</u>	<u>3,720,687</u>	<u>(3,137)</u>
Public Works:				
Municipal Services Administration	141,030	147,300	128,442	18,858
City Hall Maintenance	123,680	131,990	127,883	4,107
Parks and Public Property	178,350	175,600	169,564	6,036
Municipal Services Yard Maintenance	55,500	57,960	53,400	4,560
Street Services	130,000	153,500	151,971	1,529
Miscellaneous MSD Services	11,460	9,410	7,201	2,209
Bathey Maintenance Expense	15,290	32,330	24,690	7,640
Special Events	91,880	124,210	121,520	2,690
Parking	31,420	55,720	53,122	2,598
MSD Services--DDA	120,410	97,970	96,707	1,263
	<u>899,020</u>	<u>985,990</u>	<u>934,500</u>	<u>51,490</u>
Other	300,230	305,280	255,201	50,079
Capital Outlay	355,850	192,850	80,675	112,175
Reserve for Contingencies	213,690	50,760	-	50,760
Total Expenditures	<u>6,994,260</u>	<u>6,838,980</u>	<u>6,414,497</u>	<u>424,483</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>503,890</u>	<u>576,190</u>	<u>1,135,772</u>	<u>559,582</u>
Other Financing Sources (Uses):				
Operating Transfers In	22,000	18,000	17,558	(442)
Operating Transfers Out	(525,890)	(594,190)	(594,190)	-
Total Other Financing Sources (Uses)	<u>(503,890)</u>	<u>(576,190)</u>	<u>(576,632)</u>	<u>(442)</u>
Net Change in Fund Balance	-	-	559,140	559,140
Fund Balance - Beginning	<u>1,967,415</u>	<u>1,967,415</u>	<u>1,967,415</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,967,415</u>	<u>\$ 1,967,415</u>	<u>\$ 2,526,555</u>	<u>\$ 559,140</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Permanent Funds Cemetery Care	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,929,762	\$ 65,024	\$ 834,381	\$ 381,733	\$ 3,210,900
Investments	-	-	-	61,395	61,395
Accounts Receivable	164,596	-	-	1,125	165,721
Due from Other Funds	-	-	12,405	-	12,405
Due from Other Governmental Units	96,934	-	-	-	96,934
Inventory	53,628	-	-	-	53,628
Prepaid Expenditures	-	250	-	-	250
Total Assets	<u>\$ 2,244,920</u>	<u>\$ 65,274</u>	<u>\$ 846,786</u>	<u>\$ 444,253</u>	<u>\$ 3,601,233</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 75,431	\$ -	\$ 82,919	\$ -	\$ 158,350
Accrued and Other Liabilities	103,767	-	-	-	103,767
Due to Other Funds	37,273	-	-	-	37,273
Total Liabilities	<u>216,471</u>	<u>-</u>	<u>82,919</u>	<u>-</u>	<u>299,390</u>
Fund Balance:					
Reserved for :					
Capital Projects	-	-	763,867	-	763,867
Debt Service	-	65,274	-	-	65,274
Other	-	-	-	444,253	444,253
Unreserved	2,028,449	-	-	-	2,028,449
Total Fund Balance	<u>2,028,449</u>	<u>65,274</u>	<u>763,867</u>	<u>444,253</u>	<u>3,301,843</u>
Total Liabilities and Fund Balance	<u>\$ 2,244,920</u>	<u>\$ 65,274</u>	<u>\$ 846,786</u>	<u>\$ 444,253</u>	<u>\$ 3,601,233</u>

CITY OF PLYMOUTH
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Permanent Funds Cemetery Care	Total Nonmajor Governmental Funds
Revenues:					
Property Taxes	\$ 835,475	\$ 561,781	\$ -	\$ -	\$ 1,397,256
Licenses and Permits	217,626	-	-	-	217,626
Intergovernmental	561,525	-	-	-	561,525
Charges for Services	1,223,720	-	-	13,962	1,237,682
Interest	60,029	15,716	43,099	17,558	136,402
Other	70,845	163,970	12,247	-	247,062
Total Revenues	<u>2,969,220</u>	<u>741,467</u>	<u>55,346</u>	<u>31,520</u>	<u>3,797,553</u>
Expenditures:					
General Government	460	-	-	-	460
Public Safety	363,892	-	-	-	363,892
Public Works	1,657,181	-	-	-	1,657,181
Recreation and Cultural	1,216,985	-	-	-	1,216,985
Debt Service:					
Principal	58,402	690,000	-	-	748,402
Interest and Other Charges	6,568	320,866	-	-	327,434
Capital Outlay	21,531	-	487,610	-	509,141
Total Expenditures	<u>3,325,019</u>	<u>1,010,866</u>	<u>487,610</u>	<u>-</u>	<u>4,823,495</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(355,799)</u>	<u>(269,399)</u>	<u>(432,264)</u>	<u>31,520</u>	<u>(1,025,942)</u>
Other Financing Sources (Uses):					
Operating Transfers In	562,950	235,270	219,026	-	1,017,246
Operating Transfers Out	(147,650)	-	(219,026)	(17,558)	(384,234)
Total Other Financing Sources (Uses)	<u>415,300</u>	<u>235,270</u>	<u>-</u>	<u>(17,558)</u>	<u>633,012</u>
Net Change in Fund Balances	59,501	(34,129)	(432,264)	13,962	(392,930)
Fund Balance, July 1	<u>1,968,948</u>	<u>99,403</u>	<u>1,196,131</u>	<u>430,291</u>	<u>3,694,773</u>
Fund Balance, June 30	<u>\$ 2,028,449</u>	<u>\$ 65,274</u>	<u>\$ 763,867</u>	<u>\$ 444,253</u>	<u>\$ 3,301,843</u>

CITY OF PLYMOUTH
Non Major Special Revenue Funds
Combining Balance Sheet
June 30,2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Recreation Fund</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 567,613	\$ 12,033	\$ 121,493	\$ 185,359	\$ 571,093	\$ 125,993
Accounts Receivable	-	-	57,165	75,408	3,775	5,500
Due From Other Governmental Units	56,836	23,115	-	-	-	-
Inventory	<u>27,850</u>	<u>21,969</u>	<u>3,100</u>	<u>709</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 652,299</u>	<u>\$ 57,117</u>	<u>\$ 181,758</u>	<u>\$ 261,476</u>	<u>\$ 574,868</u>	<u>\$ 131,493</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$ 4,539	\$ 1,640	\$ 29,020	\$ 32,732	\$ -	\$ -
Accrued and Other Liabilities	6,355	1,758	10,826	7,937	-	-
Due to Other Funds	-	-	-	-	24,868	-
Total Liabilities	<u>10,894</u>	<u>3,398</u>	<u>39,846</u>	<u>40,669</u>	<u>24,868</u>	<u>-</u>
Fund Balance:						
Unreserved:						
Undesignated	<u>641,405</u>	<u>53,719</u>	<u>141,912</u>	<u>220,807</u>	<u>550,000</u>	<u>131,493</u>
Total Fund Balance	<u>641,405</u>	<u>53,719</u>	<u>141,912</u>	<u>220,807</u>	<u>550,000</u>	<u>131,493</u>
Total Liabilities and Fund Balance	<u>\$ 652,299</u>	<u>\$ 57,117</u>	<u>\$ 181,758</u>	<u>\$ 261,476</u>	<u>\$ 574,868</u>	<u>\$ 131,493</u>

<u>Parking</u>	<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OWI Forfeiture</u>	<u>Total</u>
\$ 188,026	\$ 40,712	\$ 461	\$ 89,879	\$ 2,809	\$ 24,291	\$ 1,929,762
-	7,267	-	15,481	-	-	164,596
-	16,983	-	-	-	-	96,934
-	-	-	-	-	-	53,628
<u>\$ 188,026</u>	<u>\$ 64,962</u>	<u>\$ 461</u>	<u>\$ 105,360</u>	<u>\$ 2,809</u>	<u>\$ 24,291</u>	<u>\$ 2,244,920</u>
\$ -	\$ 234	\$ -	\$ 7,266	\$ -	\$ -	\$ 75,431
-	4,694	-	72,197	-	-	103,767
-	-	-	12,405	-	-	37,273
-	4,928	-	91,868	-	-	216,471
<u>188,026</u>	<u>60,034</u>	<u>461</u>	<u>13,492</u>	<u>2,809</u>	<u>24,291</u>	<u>2,028,449</u>
<u>188,026</u>	<u>60,034</u>	<u>461</u>	<u>13,492</u>	<u>2,809</u>	<u>24,291</u>	<u>2,028,449</u>
<u>\$ 188,026</u>	<u>\$ 64,962</u>	<u>\$ 461</u>	<u>\$ 105,360</u>	<u>\$ 2,809</u>	<u>\$ 24,291</u>	<u>\$ 2,244,920</u>

CITY OF PLYMOUTH
Non Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	<u>Major Street</u>	<u>Local Street</u>	<u>Recreation Fund</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>
<u>Revenues:</u>						
Property Taxes	\$ -	\$ -	\$ -	\$ 835,475	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	346,980	141,066	-	-	-	-
Charges for Services	-	-	912,714	259,218	-	-
Interest Income	22,800	1,640	585	19,330	-	4,143
Other	-	3,763	103	2,959	-	25,100
Total Revenues	<u>369,780</u>	<u>146,469</u>	<u>913,402</u>	<u>1,116,982</u>	<u>-</u>	<u>29,243</u>
<u>Expenditures:</u>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	270,295	347,294	-	1,039,592	-	-
Recreation and Cultural	-	-	1,093,563	-	-	-
Debt Service:						
Principal	-	-	-	58,402	-	-
Interest and Other Charges	-	-	-	6,568	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>270,295</u>	<u>347,294</u>	<u>1,093,563</u>	<u>1,104,562</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>99,485</u>	<u>(200,825)</u>	<u>(180,161)</u>	<u>12,420</u>	<u>-</u>	<u>29,243</u>
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	25,000	147,540	259,250	-	-	-
Operating Transfers Out	<u>(88,730)</u>	<u>(3,500)</u>	<u>(28,290)</u>	<u>(18,870)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(63,730)</u>	<u>144,040</u>	<u>230,960</u>	<u>(18,870)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>35,755</u>	<u>(56,785)</u>	<u>50,799</u>	<u>(6,450)</u>	<u>-</u>	<u>29,243</u>
Fund Balance, July 1	<u>605,650</u>	<u>110,504</u>	<u>91,113</u>	<u>227,257</u>	<u>550,000</u>	<u>102,250</u>
Fund Balance, June 30	<u>\$ 641,405</u>	<u>\$ 53,719</u>	<u>\$ 141,912</u>	<u>\$ 220,807</u>	<u>\$ 550,000</u>	<u>\$ 131,493</u>

<u>Parking</u>	<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OWI Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 835,475
-	-	-	217,626	-	-	217,626
-	73,479	-	-	-	-	561,525
-	51,788	-	-	-	-	1,223,720
7,073	546	283	2,637	99	893	60,029
-	24,742	320	-	1,319	12,539	70,845
<u>7,073</u>	<u>150,555</u>	<u>603</u>	<u>220,263</u>	<u>1,418</u>	<u>13,432</u>	<u>2,969,220</u>
-	-	-	-	460	-	460
-	-	9,299	354,273	-	320	363,892
-	-	-	-	-	-	1,657,181
-	123,422	-	-	-	-	1,216,985
-	-	-	-	-	-	58,402
-	-	-	-	-	-	6,568
-	-	-	-	-	21,531	21,531
-	123,422	9,299	354,273	460	21,851	3,325,019
<u>7,073</u>	<u>27,133</u>	<u>(8,696)</u>	<u>(134,010)</u>	<u>958</u>	<u>(8,419)</u>	<u>(355,799)</u>
-	-	-	131,160	-	-	562,950
-	-	-	(8,260)	-	-	(147,650)
-	-	-	122,900	-	-	415,300
<u>7,073</u>	<u>27,133</u>	<u>(8,696)</u>	<u>(11,110)</u>	<u>958</u>	<u>(8,419)</u>	<u>59,501</u>
<u>180,953</u>	<u>32,901</u>	<u>9,157</u>	<u>24,602</u>	<u>1,851</u>	<u>32,710</u>	<u>1,968,948</u>
<u>\$ 188,026</u>	<u>\$ 60,034</u>	<u>\$ 461</u>	<u>\$ 13,492</u>	<u>\$ 2,809</u>	<u>\$ 24,291</u>	<u>\$ 2,028,449</u>

CITY OF PLYMOUTH
Non Major Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>Motor Vehicle Highway</u>	<u>Municipal Building Authority</u>	<u>2002 General Obligation</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 12,070	\$ 2,220	\$ 10,300
Prepaid Expenditure	<u>-</u>	<u>250</u>	<u>-</u>
Total Assets	<u>\$ 12,070</u>	<u>\$ 2,470</u>	<u>\$ 10,300</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities - Accounts Payable	\$ -	\$ -	\$ -
Fund Balance:			
Reserved for Debt Service	<u>12,070</u>	<u>2,470</u>	<u>10,300</u>
Total Liabilities and Fund Balance	<u>\$ 12,070</u>	<u>\$ 2,470</u>	<u>\$ 10,300</u>

<u>2002 Capital Improvement</u>	<u>2004 General Obligation</u>	<u>2006 L.T.G.O. Debt</u>	<u>Total</u>
\$ 6,394	\$ 34,026	\$ 14	\$ 65,024
<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
<u>\$ 6,394</u>	<u>\$ 34,026</u>	<u>\$ 14</u>	<u>\$ 65,274</u>
\$ -	\$ -	\$ -	\$ -
<u>6,394</u>	<u>34,026</u>	<u>14</u>	<u>65,274</u>
<u>\$ 6,394</u>	<u>\$ 34,026</u>	<u>\$ 14</u>	<u>\$ 65,274</u>

CITY OF PLYMOUTH
Non Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	Motor Vehicle Highway	Municipal Building Authority	2002 General Obligation
<u>Revenues:</u>			
Property Taxes	\$ -	\$ -	\$ 164,452
Lease Income	-	163,970	-
Interest Income	460	218	4,223
Total Revenues	<u>460</u>	<u>164,188</u>	<u>168,675</u>
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	-	150,000	110,000
Interest and Fiscal Charges	<u>275</u>	<u>14,400</u>	<u>68,125</u>
Total Expenses	<u>275</u>	<u>164,400</u>	<u>178,125</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>185</u>	<u>(212)</u>	<u>(9,450)</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	185	(212)	(9,450)
Fund Balance, July 1	<u>11,885</u>	<u>2,682</u>	<u>19,750</u>
Fund Balance, June 30	<u>\$ 12,070</u>	<u>\$ 2,470</u>	<u>\$ 10,300</u>

2002 Capital Improvement	2004 General Obligation	2006 L.T.G.O. Debt	Total
\$ -	\$ 397,329	\$ -	\$ 561,781
-	-	-	163,970
12	10,565	238	15,716
<u>12</u>	<u>407,894</u>	<u>238</u>	<u>741,467</u>
95,000	255,000	80,000	690,000
21,740	177,233	39,093	320,866
<u>116,740</u>	<u>432,233</u>	<u>119,093</u>	<u>1,010,866</u>
<u>(116,728)</u>	<u>(24,339)</u>	<u>(118,855)</u>	<u>(269,399)</u>
116,600	-	118,670	235,270
-	-	-	-
<u>116,600</u>	<u>-</u>	<u>118,670</u>	<u>235,270</u>
(128)	(24,339)	(185)	(34,129)
6,522	58,365	199	99,403
<u>\$ 6,394</u>	<u>\$ 34,026</u>	<u>\$ 14</u>	<u>\$ 65,274</u>

CITY OF PLYMOUTH
Non Major Capital Project Funds
Combining Balance Sheet
For the Year Ended June 30, 2008

	<u>Motor Vehicle Highway</u>	<u>2004 G.O. Cap. Imp.</u>	<u>2006 L.T.G.O. Cap. Imp.</u>	<u>2008 G.O. Cap. Imp.</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 373,601	\$ -	\$ 349,892	\$ 110,888	\$ 834,381
Due from Other Funds	<u>-</u>	<u>12,405</u>	<u>-</u>	<u>-</u>	<u>12,405</u>
Total Assets	<u>\$ 373,601</u>	<u>\$ 12,405</u>	<u>\$ 349,892</u>	<u>\$ 110,888</u>	<u>\$ 846,786</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 310	\$ -	\$ 40,931	\$ 41,678	\$ 82,919
Fund Balance :					
Reserved for Construction	<u>373,291</u>	<u>12,405</u>	<u>308,961</u>	<u>69,210</u>	<u>763,867</u>
Total Liabilities and Fund Balance	<u>\$ 373,601</u>	<u>\$ 12,405</u>	<u>\$ 349,892</u>	<u>\$ 110,888</u>	<u>\$ 846,786</u>

CITY OF PLYMOUTH
Non Major Capital Project Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2008

	Motor Vehicle Highway	2004 G.O. Cap. Imp.	2006 L.T.G.O. Cap. Imp.	2008 G.O. Cap. Imp.	Total
<u>Revenues:</u>					
Miscellaneous Income	\$ -	\$ 12,247	\$ -	\$ -	\$ 12,247
Interest Income	21,302	-	21,361	436	43,099
Total Revenues	21,302	12,247	21,361	436	55,346
<u>Expenditures:</u>					
Construction	3,033	30,395	322,956	131,226	487,610
Total Expenditures	3,033	30,395	322,956	131,226	487,610
Excess (Deficiency) of Revenues Over Expenditures	18,269	(18,148)	(301,595)	(130,790)	(432,264)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	-	19,026	-	200,000	219,026
Operating Transfers Out	(219,026)	-	-	-	(219,026)
Total Other Financing Sources (Uses)	(219,026)	19,026	-	200,000	-
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	(200,757)	878	(301,595)	69,210	(432,264)
Fund Balance - July 1	574,048	11,527	610,556	-	1,196,131
Fund Balance - June 30	\$ 373,291	\$ 12,405	\$ 308,961	\$ 69,210	\$ 763,867

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October 3, 2008

Honorable Mayor and City Commission
City of Plymouth
Plymouth, Michigan

In planning and performing our audit of the City of Plymouth for the year ended June 30, 2008, we have considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated October 3, 2008 on the financial statements of the City of Plymouth.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City officials, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,



Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Accounting and Internal Control

The condition of the books and records available for audit continue to improve, as evidenced by fewer "audit adjustments" proposed by our firm during audit fieldwork. To further improve processes, we recommend that the City consider the following:

- Internal Control over Cash:
 - Use "positive pay" on all disbursement accounts.
 - Use of regional "lock box" services for mail receipts which could speed up cash flow and improve internal control.
 - Separate depository accounts from disbursing accounts, and use ACH filters and blocks on all accounts.
- Building Department:
 - "Pass through fees" for professional services charged to property owners, should be reconciled to the general ledger and billed in a timely fashion.
 - Bonds-should be reconciled to the detailed records maintained in the building department on a monthly basis.
- Cemetery Revenues-currently the DPW employees administer all aspects of the revenues, including sales, cash receipts, inventory control (lots and crypts), and in some cases deed generation. We suggest that the City review means to better segregate the duties.
- Brownfield Re-development Authority
 - Capture "ceilings" should be entered into accounting system, to track authorized amounts of reimbursements against payments from tax captures.
 - Brownfield Redevelopment Authority Board should meet annually to approve budgets and reimbursements.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the City as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid, in the "Entity Wide" financial statements. The new pronouncement is effective for the year ending June 30, 2009, and will require actuarial valuations of the liability at least tri-annually.